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Berkshire

FINE SPINNING ASSOCIATES, INC.

ANNUAL
REPORT
1949

Berkshire
FINE SPINNING ASSOCIATES INC.

EXECUTIVE OFFICES

Turks Head Building, Providence, R. I.

SALES OFFICES

40 Worth Street, New York, N. Y.
261 Fifth Avenue, New York, N. Y.

PLANT LOCATIONS

MASSACHUSETTS
Adams · North Adams · Holyoke · Fall River

RHODE ISLAND
Albion · Anthony · Warren

VERMONT
Brattleboro

CURTAIN FACTORIES

at Warren, R. I., and Fall River, Mass.

LABORATORIES AND MACHINE SHOPS

at Warren, Rhode Island

Berkshire
FINE SPINNING ASSOCIATES INC.

ANNUAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 1949

To The Stockholders of
Berkshire Fine Spinning Associates, Inc.

There is presented herewith the annual report for the year ended September 30, 1949.

SALES AND PROFITS Sales for the year were $50,911,799, and Profits were $2,502,448 after all charges including Federal Taxes on Income of $2,181,000, State Taxes on Income of $224,000, and Reserve for Replacement of Machinery of $1,200,000. The Profit after all charges amounted to $1.28 per share on the common stock outstanding at September 30, 1949.

DIVIDENDS During the year dividends of $4,676,710. were paid to common stockholders. The regular dividend of 35¢ was paid each quarter on the common plus a dollar extra in December 1948.

FINANCIAL POSITION Financially the Company position continues to be strong with Net Worth of $41,691,289. and Working Capital of $28,389,170.

PLANT CONSTRUCTION AND IMPROVEMENT FUND We have added $1,200,000 to this fund during the year which equals the amount reserved for Replacement of Plant and we have used $590,-293 of this fund to make an investment in a correlated company which leaves a balance in the Fund at the end of the year of $5,809,707. The fund continues to be invested largely in government bonds.

BUILDINGS, MACHINERY AND EQUIPMENT We have continued our policy of purchasing new equipment to improve the efficiency of the plants. Purchases of plant assets amounted to $1,242,327 for the year. Additional machinery is on order and it is expected that a greater amount will be installed during the coming year.

Berkshire
FINE SPINNING ASSOCIATES INC.

DEPRECIATION Additions to the Depreciation Reserve for the year amounted to $546,941. Due to the continued high cost of replacements we have again set aside an additional reserve for Replacement of Plant of $1,200,000. This reserve for Replacement of Plant is not deductible for tax purposes but we believe it should be because our allowable depreciation will not take care of necessary replacements.

GENERAL The slow-down in the Cotton Textile Industry which started in the previous year continued through most of the year just past and made it necessary to curtail the operations of the mills to avoid accumulation of unduly large inventories.

The sales prices of our goods continued to decline during the year while the price of cotton remained comparatively steady due to the Government support program. The high price of cotton has put our plants at a competitive disadvantage with those using synthetic fibers. Towards the close of the year the volume of sales increased and it appears that the low point in the present period of readjustment was reached during the summer. With the pick-up in volume of sales all of the mills are returning to full operation. In the coming months we expect a highly competitive market but we feel confident that profits can be achieved by efficient operations.

We thank the entire organization for its fine work in meeting the problems that have arisen during a difficult year and look forward to the coming year with confidence.

JOHN H. McMAHON
Chairman of the Board

M. G. CHACE, JR.
President

November 17, 1949

SIGNIFICANT

Berkshire Annual Reports to

Not including Warren Textile

	FISCAL			
	1949	**1948**	**1947**	**1946**
NET SALES IN DOLLARS	**$50,911,799**	$69,889,757	$68,444,883	$42,860,655
TOTAL TAXES, INCLUDING SOCIAL SECURITY, PROPERTY & INCOME	**3,033,576**	10,405,712	9,948,371	6,399,557
TAXES PER SHARE OF COMMON STOCK	**1.56**	5.34	6.28	13.50
NET EARNINGS AVAILABLE FOR DIVIDENDS	**2,502,448**	13,157,672	12,842,173	5,689,726
EARNINGS PER SHARE OF COMMON STOCK	**1.28**	6.74	7.94	11.32
DIVIDENDS ON PREFERRED STOCK	**—**	19,978	279,105	325,399
DIVIDENDS PAID PER SHARE OF COMMON STOCK	**2.40**	2.40	1.17	1.75
WORKING CAPITAL	**28,389,170**	31,004,330	22,763,942	14,959,317
NET WORTH	**41,691,289**	42,530,371	32,444,473	20,186,544
COMMON SHARES (End of Year)	**1,948,629**	*1,948,629	*1,583,094	*473,986

**The number of shares of common stock changed in these years.*

FIGURES FROM
Stockholders and other data

& Machinery Supply Company

YEARS

1945	1944	1943	1942	1941	1940
$36,043,026	$31,695,890	$38,679,237	$37,771,888	$28,746,992	$18,163,074
5,753,558	5,136,058	6,269,029	6,556,114	2,365,615	642,103
11.90	10.62	12.96	13.55	4.89	1.33
1,813,576	1,602,047	1,724,446	1,907,441	1,851,686	560,079
3.00	2.57	2.82	2.43	2.38	1.16
360,330	360,330	360,335	733,304	701,754	405,755
1.75	2.00	2.00	1.50	None	None
10,752,168	8,772,906	8,606,238	8,157,091	6,875,746	5,763,378
16,293,849	15,765,586	15,638,121	15,086,282	14,284,515	13,172,855
483,669	483,669	483,669	483,669	483,669	483,669

BERKSHIRE FINE SPIN

Consolidated

SEPTEMBE

ASSETS

CURRENT ASSETS			
Cash		$ 5,624,352.78	
Accounts Receivable (Less Reserve $379,402.29)		3,928,387.27	
U. S. Government Securities (Estimated Market Value $6,764,195.79)		6,761,389.37	
Inventories (Note A)			
Raw Materials	$3,078,830.04		
Stock in Process	1,675,766.99		
Cloth	9,275,276.83		
Waste	165,566.91	14,195,440.77	
TOTAL CURRENT ASSETS			$30,509,570.19
OTHER ASSETS AND DEFERRED CHARGES			
Investment in Correlated Companies		600,080.55	
Investment in and Advances to Warren Textile & Machinery Supply Co. (Note B)		399,172.42	
Plant Construction, Improvement and Replacement Fund (Note C)			
Cash	99,312.65		
Bonds — U. S. Government (Estimated Market Value $5,251,024.08)	5,221,958.70		
Bonds — Other (Estimated Market Value $489,962.50)	488,435.65	5,809,707.00	
Notes and Other Amounts Receivable		106,038.64	
Prepaid Insurance, Taxes and Other Assets		361,155.73	
Supplies Inventory, including Fuel		106,439.56	
TOTAL OTHER ASSETS AND DEFERRED CHARGES			7,382,593.90
PLANT ASSETS (Note D)			
Properties Comprising Land, Buildings, Machinery, Equipment, and Developed Water Power		12,980,581.87	
Less: Depreciation Reserves		7,061,056.80	5,919,525.07
TOTAL ASSETS			$43,811,689.16

The acompanying Notes to Financial Sta

NING ASSOCIATES, INC.

Balance Sheet

R 30, 1949

LIABILITIES AND CAPITAL

CURRENT LIABILITIES			
Accounts and Vouchers Payable		$ 1,407,073.66	
Taxes Accrued or Payable		351,839.69	
Social Security and Withholding Taxes Payable		361,487.14	
Provision for Federal Taxes on Income (Note E)	$2,482,598.26		
Less: U. S. Treasury Savings Notes	2,482,598.26	None	
TOTAL CURRENT LIABILITIES			$ 2,120,400.49
RESERVE FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES			2,400,000.00
RESERVE FOR REPLACEMENT OF PLANT (necessitated by prevailing high costs) Beyond Amount Provided by Current Depreciation Reserves			2,400,000.00
CAPITAL			
Common Stock (Without Par Value) Authorized 3,000,000 Shares — Issued 1,948,629 Shares		10,824,812.50	
Capital Surplus		460,288.99	
Earned Surplus (Since September 30, 1939)		25,606,187.18	
TOTAL CAPITAL			36,891,288.67
TOTAL LIABILITIES AND CAPITAL			$43,811,689.16

tements are an integral part of this report.

Berkshire
FINE SPINNING ASSOCIATES INC.

BERKSHIRE FINE SPINNING ASSOCIATES, INC.

Notes to Financial Statements

For the Year Ended September 30, 1949

BASIS OF CONSOLIDATION—The Consolidated Financial Statements include the accounts of all Subsidiary Companies except Warren Textile & Machinery Supply Co. which is wholly owned, but carried in the Balance Sheet as an Investment at Cost.

NOTE (A)—INVENTORIES

Raw Materials are priced at the "lower of Cost or Market", the material content of Stock in Process at a standard established in 1933, which is less than current market, and the "lower of Cost or Market" is the basis for materials in cloth. The standard cost basis, (approximating actual costs), is used in valuing Labor and Manufacturing Burden in Stock in Process, as well as Cloth. Waste is valued at Market. The verification of the Raw Materials, Stock in Process, and Cloth included a review of the Inventory records and procedure, physical examination of quantities during the fiscal year at all Mills, and confirmation by direct correspondence of merchandise quantities in the possession of Finishers. In pricing the Inventories, consideration has been given to obsolete, slow-moving and irregular merchandise.

NOTE (B)—INVESTMENT IN AND ADVANCES TO WARREN TEXTILE & MACHINERY SUPPLY CO.

The excess of the Company's equity in the Net Assets of Warren Textile & Machinery Supply Co. over its investment therein at September 30, 1949 amounted to $99,720.20 and represents the undistributed Net Earnings of the Subsidiary since the date of incorporation. A Balance Sheet of this Subsidiary is included in this report.

NOTE (C)—PLANT CONSTRUCTION, IMPROVEMENT AND REPLACEMENT FUND

Of a Plant Fund totalling $6,400,000.00, set aside by appropriate corporate action, there remains, after disbursements of $590,293.00, a balance amounting to $5,809,707.00. This Fund is available for the purchase of plant assets.

NOTE (D)—PLANT ASSETS

Plant Assets are stated in the Balance Sheet at Depreciated Book Values at April 1, 1934, plus additions subsequent to that date at Cost. Depreciation from the previously mentioned date has been charged to Operations on the basis of the useful lives or residual values of the various items of depreciable Plant Assets. Due to the abnormally high price level, Current Depreciation allowances inadequately provide for the cost of replacements. Therefore, during the fiscal year, there has been set aside, in addition to ordinary Depreciation Reserves, $100,000.00 per month as partial Provision for Replacement of Plant. The amount of this Reserve has been funded by increase in Plant Construction, Improvement and Replacement Fund.

NOTE (E)—PROVISION FOR FEDERAL TAXES ON INCOME

The Company's Tax Returns have been inspected by the Audit Division of the Income Tax Unit for all years through September 30, 1947. The two years ended September 30, 1949 have not been examined or reviewed, but it is our opinion that the outstanding Reserve, at September 30, 1949, adequately provides for tax liabilities to that date.

NOTE (F)—PURCHASE COMMITMENTS

The Company has outstanding Cotton Commitments amounting to $2,787,890.39, which approximate current market.

Berkshire
FINE SPINNING ASSOCIATES INC.

BERKSHIRE FINE SPINNING ASSOCIATES, INC.

Condensed Consolidated Statement of Income and Earned Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1949

Sales (Less Returns and Allowances)		$50,911,798.95
Cost of Sales and Operating Expenses (Includes Depreciation $510,161.98)		43,196,314.39
Gross Profit		7,715,484.56
Selling and Administrative Expenses		1,933,519.94
Profit from Operations		5,781,964.62
Other Income		343,013.48
Total		6,124,978.10
Other Deductions		149,909.67
Profit Before Income Taxes and Following Adjustments		5,975,068.43
Provision for Taxes on Income		2,405,000.00
Profit Before Following Adjustments		3,570,068.43
Refund of Prior Years' State Taxes on Income	$ (132,379.23)	
Provision for Replacement of Plant (necessitated by prevailing high costs) Beyond Amount Provided by Current Depreciation Reserves	1,200,000.00	1,067,620.77
Balance of Profit Transferred to Earned Surplus		2,502,447.66
Earned Surplus at Beginning of Year	27,645,269.85	
Plus: Revenue Agent's Adjustments to Depreciation Reserves for Fiscal Years Ended in 1946 and 1947, and Revision of Depreciation Charges consistent therewith for the Year 1948	135,179.27	27,780,449.12
Total		30,282,896.78
Less: Dividends Paid in Cash:		
Common Stock @ $2.40 a Share		4,676,709.60
Earned Surplus *(Since September 30, 1939)* at Close of Year		$25,606,187.18

Consolidated Capital Surplus Account

SEPTEMBER 30, 1949

Capital Surplus Balance at September 30, 1949 (No Change During Year)	$ 460,288.99

CERTIFICATE OF AUDITORS

We have examined the Consolidated Balance Sheet of Berkshire Fine Spinning Associates, Inc. and its subsidiaries at September 30, 1949 and the Consolidated Statements of Income, Capital and Earned Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Income, Capital and Earned Surplus, with the notations thereto, fairly present the Company's consolidated financial position at September 30, 1949 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Comery, Davison & Jacobson
Certified Public Accountants

Providence, R. I., October 25, 1949.

Berkshire
FINE SPINNING ASSOCIATES INC.

WARREN TEXTILE & MACHINERY SUPPLY CO.

Balance Sheet

SEPTEMBER 30, 1949

ASSETS

CURRENT ASSETS		
Cash	$ 16,279.23	
Accounts Receivable	2,846.91	
Inventories (Lower of Cost or Market)	268,163.17	
TOTAL CURRENT ASSETS		$287,289.31
DEFERRED CHARGES		
Prepaid Insurance and Taxes		13,949.21
PLANT ASSETS		
Properties Comprising Land, Buildings, Machinery and Equipment (At Cost)	378,138.25	
Less: Depreciation Reserves	117,553.58	260,584.67
TOTAL ASSETS		$561,823.19

LIABILITIES AND CAPITAL

CURRENT LIABILITIES		
Accounts and Vouchers Payable	42,552.73	
Taxes Accrued or Payable	8,189.45	
Social Security and Withholding Taxes Payable	6,967.86	
Provision for Federal Taxes on Income	5,220.53	
TOTAL CURRENT LIABILITIES		62,930.57
DUE BERKSHIRE FINE SPINNING ASSOCIATES, INC.		369,172.42
CAPITAL		
Common Stock (300 Shares — No Par Value)	30,000.00	
Earned Surplus — September 30, 1948	$83,043.13	
Profit for Year Transferred to Surplus	16,677.07	
Earned Surplus — September 30, 1949	99,720.20	
TOTAL CAPITAL		129,720.20
TOTAL LIABILITIES AND CAPITAL		$561,823.19

CERTIFICATE OF AUDITORS

We have examined the Balance Sheet of Warren Textile & Machinery Supply Co. at September 30, 1949 and the Statement of Income and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and related Statement of Income and Surplus fairly present the position of Warren Textile & Machinery Supply Co. at September 30, 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 25, 1949.

Berkshire
FINE SPINNING ASSOCIATES INC.

BERKSHIRE FINE SPINNING ASSOCIATES, INC.

OWNERS

The Company had 10,855 stockholders on September 30, 1949.

DIRECTORS

James C. Brady
Jonathan Chace
*Malcolm G. Chace
Malcolm G. Chace, Jr.
Linsley V. Dodge
Manlio Frova
Arthur Ingraham, Jr.
Thomas J. Kennedy
W. R. L. McBee
*John H. McMahon
Irwin L. Moore
Henry S. Newcombe
William A. O'Hearn
William C. Plunkett
*Gibbs W. Sherrill
F. Russell Smith
Thomas F. Tansey
Avery K. White
Frederick C. Williams
A. N. Winslow, Jr.

*Executive Committee

OFFICERS

Chairman of the Board . . . . . John H. McMahon
President and Treasurer . . . . . Malcolm G. Chace, Jr.
Vice President . . . . . Linsley V. Dodge
Vice President . . . . . Thomas J. Kennedy
Vice President . . . . . Thomas F. Tansey
Vice President . . . . . Avery K. White
Vice President . . . . . Manlio Frova
Assistant Treasurer . . . . . Edward H. Arnold
Assistant Treasurer . . . . . Henry S. Newcombe
Clerk . . . . . Gibbs W. Sherrill
Assistant Secretary . . . . . John J. McMahon

producer
of fine
combed cotton
fabrics for
men's, women's
and children's
wear

- ★ *broadcloths*
- ★ *lawns*
- ★ *batistes*
- ★ *dimities*
- ★ *handkerchief fabrics*
- ★ *marquisettes dotted and plain*
- ★ *voiles*
- ★ *organdies*

PRINTED, DYED AND GREIGE

BERKSHIRE FINE SPINNING ASSOCIATES (Sales Office) 40 Worth Street, New York